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The real world

For housing professionals, emerging markets are places to expand, teach and learn

By MICHELE DERUS mderus@journalsentinel.com

Posted: Feb. 17, 2007

Peter Shuttleworth is a multi-national property coach.

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Executive vice president of southeast

Wisconsin's Metro Multiple Listing Service, he has moved far beyond his U.S. turf.

He has logged thousands of airline miles journeying to countries like Armenia, Russia and Panama, helping real estate purveyors professionalize their trade.

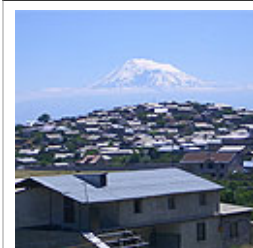
"You've got grandparents, great-grandparents and your kids all living with you in

750 square feet of space. But now that you've started a restaurant, you have the wherewithal to have your own apartment. So the market starts to develop," Shuttleworth said. "As many countries found freedom, they looked for systemic help in making things accountable."

A housing market requires law and order - common in the developed world but not always in emerging economies, the MLS official said.

"You need license law, an insurance system, a program to assist with mortgages, and brokers - and not just from a card table at the Saturday market," Shuttleworth said.

Real Estate



Photo/Courtesy of Peter Shuttleworth

Turkey's Mount Ararat looms over an older neighborhood in Yerevan, Armenia. American real estate professionals are helping their counterparts in emerging markets such as Armenia.

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American business executives are only too happy to help build channels for buying, selling and owning.

Among them: realty brokers; developers and appraisers affiliated with the International Real Property Foundation in Chicago; and members of the Chicago-based Appraisal Institute and private mortgage insurers like PMI Group Inc. of Walnut Creek, Calif.

Joining them soon in the international arena will be Milwaukee-based mortgage insurer MGIC Investment Corp.

These professionals are fanning out across the globe, creating standards for housing markets and capitalizing on established ones.

"Technology is behind everything - the buying, selling, mortgage lending, valuation and brokerage," said Francois Ortalo-Magne, a University of Wisconsin-Madison real estate professor who authored this year's Association of Foreign Investors in Real Estate "places of interest" survey.

"There are enormous financial incentives to transfer technologies - to sell proprietary (computer software) systems to appraise property, to underwrite mortgages," Ortalo-Magne said.

There's plenty of money to send through those speedy new channels.

Interest rates near 30-year lows and a wave of investor-backed loan products have kept mortgage money flowing freely in recent years, said Nathalie Girouard, economist with the Organisation of Economic Co-operation and Development in Paris.

"All those new loan products have allowed constrained borrowers to access the housing market," Girouard said. "The other thing we've seen is that the portion of investors in housing has about doubled since the late '90s. They are buying to let, not for owner occupation. It's an investment."

## New markets, new ways

It has been a substantial, and personally fulfilling, investment for Milwaukee-based developer John Ogden Jr., president of Ogden Development Group Inc.

"I started in Spain in the early '80s after I met and made a great friend there. We teamed up," Ogden said He now works in Spain, China and France.

"We're building condos, subdivisions and now, working on a golf course. We're getting into educational facilities. And our market isn't just Americans, it's fairly international,"Ogden said.

He has learned from other Americans' sometimes brash and blundering ways the importance of deference: "Work with people who really understand the location. Be respectful of other people's customs. Try to learn at least a little of the language. Realize that not everything that works in one place will work in another."

Adaptability has helped PMI prosper abroad, said Glen S. Corso, the firm's senior vice president.

"Our first foray was in Hong Kong in '99. Minimum down payment for a house was 30% of purchase price - pretty steep for most people to meet," Corso said.

His company forged a deal with a Hong Kong mortgage buyer: they'd agree to buy loans with only 15% down and PMI would insure the added risk.

Both parties prospered, as Hong Kong borrowers easily weathered higher debt



Photo/AP

A couple walk past new residential buildings in Beijing. China is one of the biggest emerging housing markets in the world, and housing costs there are surging.



Photo/Courtesy of Peter Shuttleworth

Older apartment buildings in Yerevan, Armenia, are drawing the interest of condominium developers.

### Biggest Emerging Housing Markets

- India
- China

- Urban Land Institute and Columbia Business School

### Homeownership Rates by Continent

- South America: **68%**
- North America: **62.6%**
- Europe: **61.8%**
- Asia: **65.2%**
- Africa: **50.2%**

### Homeownership Rates in Key Established Markets

Health/Science

levels.

Religion

"Here in the U.S., the rate at which borrowers default has been running 4.5% to 5.5%. In Hong Kong, the number of defaults is so small, you can almost count them on one hand," Corso said.

Cars

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Encouraged, his company expanded to other places - Australia, New Zealand, much of Europe - and now is headed to Canada.

Visitors' Guide

PMI's international operations now provide about one-fourth of its revenue, Corso said.

**AP COVERAGE**

National

Many fledgling real-estate economies need help setting up transaction structures that Americans likely take for granted.

World

Business

"The work we do is basic - helping emerging markets get up and ready. Some don't even have property laws," said Sylvia Luchini, managing director of the International Real Property Foundation in Chicago. Her 14-year-old group, funded by the government's U.S. Agency for International Development, has worked in Russia, Poland, the Czech Republic, Albania, Armenia and Mexico, and plans to work in Vietnam, India and possibly Bosnia.

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"We draw our expertise from the National Association of Realtors, Appraisal Institute and developers," Luchini said. "Some do it because they believe in a cause and some, we pay. We serve as catalyst, bringing technical assistance. They have to become self-sustainable in three or four years. (They) need a stable government and a community of professionals willing to create a national association with a common voice."

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Appraisal Institute spokesman John Bredemeyer, president of Realcorp Inc. in Omaha, Neb., said the institute has a cadre of world trainers.

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Their upcoming overseas assignment: South Korea, which is developing a secondary mortgage market and real estate investment trust operation, both geared for international investors. His colleagues have worked in China, Egypt, Turkey and Vietnam.

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About the

**Determining value**

Journal Sentinel

In some countries, Bredemeyer said, appraisers in Great Britain, Canada and the U.S. have teamed up to help fledgling real estate associations develop standardized property valuation systems.

Internships

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"Emerging countries realize they need to know the value of property, both for commercial use and to know how to tax it. There's private need and government need," Bredemeyer said.

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**FAQ**

Questions about

Former Communist nations have little to go on, since individual ownership is a new concept, Bredemeyer said. What then? "You can look at similar properties in the next-door country," he said. "If it's a newer building, you can look at its reproduction cost."

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our Frequently Asked

Bredemeyer considers appraisers' overseas work pioneering.

Questions page.

"We're just tapping what's going to happen" in the years ahead, as real estate becomes a global enterprise.

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Entrepreneurs and investors have propelled this course, Bredemeyer said, and computerization has accelerated its pace.

MetroParent

TODAY'S TMJ4

"The Internet has made a huge difference - in the speed of communication, the ability to do business throughout the world. That creates the need for reliable information, consistent through the world," he said, "I'd say we're going in the right direction."

620 WTMJ

Spain: **83%**

Italy: **80%**

United Kingdom: **70%**

United States: **69%**

France: **56%**

Germany: **42%**

- National University of Singapore and Baylor University in Texas, 2004 joint study; homeownership rate for Australia not available

**Global market**

\$14.5 trillion: size of the global commercial real estate market

15 countries: account for most of that market

**By Country**

United States: \$5 trillion in commercial real estate

Japan: \$2 trillion

Germany, United Kingdom: \$1trillion plus each

France, Italy, Canada, Spain and China: over \$250 billion each

South Korea, Australia, Netherlands, Mexico, Switzerland and Belgium: \$137 billion to \$150 billion

- Urban Land Institute in Washington D.C.

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Milwaukee's MGIC, the nation's largest mortgage insurer, tried and failed in the international market in the 1970s.

Now, said Eric Klopfer, the company's vice president of international strategic initiatives, it's time to rejoin the world stage.

"Globalization, for good or bad, is irreversible," Klopfer said. "For MGIC to grow, it needs to participate."

MGIC this month announced its planned \$5 billion acquisition of Philadelphia-based Radian Group, which operates internationally.

Of its global prospects, Mike Zimmerman, MGIC's vice president of mortgage banking strategies said: "The opportunities are great, but there's not a perfect path."

No foreign mortgage market is anywhere near as big as America's - at least yet, Zimmerman noted.

"We've got a \$2.5 trillion a year market here. Canada's is about \$220 billion and Australia, a similar number. Those are the two most established areas, and they're less than one-tenth our market size. But the potential of places like India and China, very different politically and culturally, is huge."

From the Feb. 18, 2007 editions of the Milwaukee Journal Sentinel  
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